



TEXAS RACING COMMISSION

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Texas Racing Commission
Formal Meeting Agenda
Monday, June 26, 2006
10:30 a.m.
Animal Health Commission
2105 Kramer Lane
Auditorium
Austin, Texas 78758

AGENDA

I. CALL TO ORDER

Roll Call

II. GENERAL BUSINESS

Discussion, consideration and possible action on the following matters:

- A. Budget and Finance Update (Tab 1)
- B. Report on Racetrack Inspections (Tab 2)
- C. Report on the Greyhound Race Date Allocation Working Group (Tab 3)
- D. Report on the Horse Race Date Allocation Working Group (Tab 4)
- E. Report on the Medication and Drug Testing Working Group (Tab 5)
- F. Approval of the Commission's Strategic Plan for Fiscal Years 2007-2011
- G. Legislative Proposals by the Texas Racing Commission to the 80th Texas Legislature, Regular Session (2007)

Persons with disabilities planning to attend this meeting who may need auxiliary aids or services, such as sign language interpreters or large print agendas, should contact Gloria Giberson no later than June 21, 2006, by phone at (512) 833-6699, by fax at (512) 833-6907, or through RELAY Texas at 1-800-735-2989.

III. PROCEEDINGS ON RULEMAKING

Discussion, consideration and possible action on the following rules:

Adoptions

A. Adoption of Rule Amendments to §321.310, Trifecta, and §321.314, Superfecta. (Tab 6)

B. Adoption of Rule Amendments to §303.93, Quarter Horse Rules. (Tab 7)

IV. PROCEEDINGS ON RACETRACKS

Consideration of and possible action on the following matters:

A. Request by Magna Entertainment Corp. for Approval of a Change in Management and Board of Directors (Tab 8)

B. Request by Manor Downs for Approval of Totalisator Contract with United Tote (Tab 9)

C. Request by Gulf Greyhound Park for Approval of Totalisator Contract with United Tote for Gulf Greyhound Park and Gillespie County Fair and Festivals Association (Tab 10)

V. EXECUTIVE SESSION

Under Government Code §551.071, the Commission may open an executive session to confer with its attorney regarding contemplated or pending litigation on any matter listed in this agenda.

Under Texas Racing Act, Art. 179e, Sec. 6.03, Vernon's Texas Civil Statutes, the Commission may open an executive session to review a totalisator contract.

VI. OLD/NEW BUSINESS

Schedule next Commission Meeting

VII. ADJOURN

Texas Racing Commission

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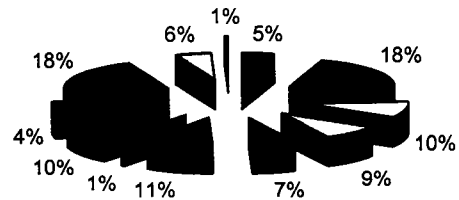
FYE 08/31/2006
Cumulative Operating Budget Status
by LBB Expenditure Object/Codes

Strategy	Description	FY 2006 Annual Budget	FY 2006 Expended Thru 5/31/2006	FY 2006 Unexpended Bal 5/31/2006	With 75% of Year Lapsed % of Budget Expended
\$ (0)	Sum Of All Strategies other than A.2.1				
	1001 Salaries and Wages	3,605,471	2,472,914	1,132,557	68.59%
	1002 Other Personnel Cost	125,520	89,103	36,417	70.99%
	2001 Prof Fees and Services	70,000	36,774	33,226	52.53%
	2003 Consumables	28,300	14,658	13,642	51.80%
	2004 Utilities	26,550	14,526	12,024	54.71%
	2005 Travel	190,246	102,907	87,339	54.09%
	2006 Rent Building	157,500	110,033	47,467	69.86%
	2007 Rent Machine	13,750	8,752	4,998	63.65%
	2009 Other Operating Cost	259,718	199,856	59,862	76.95%
	CB Computer Equipment	32,250	29,439	2,811	91.28%
\$ 4,509,305	Total Operating Budget	4,509,305	3,078,961	1,430,344	68.28%
\$ 5,418,494	Strategy A.2.1. TX Bred Incentive	5,418,494	3,857,889	1,560,605	71.20%
\$ 9,927,799	Total All Strategies	9,927,799	6,936,850	2,990,950	69.87%

Expended Operational Budget By Strategy

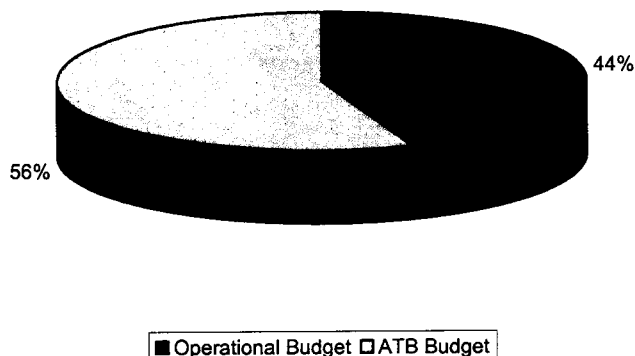
Regulate Racetrack Owners	\$ 154,873
Supervise Racing	\$ 585,233
Monitor Licensee Activities	\$ 298,869
Inspect & Provide Emergency Care	\$ 276,628
Administer Drug Test	\$ 203,010
Occupational Licensing Program	\$ 330,344
Texas On-Line Program	\$ 16,730
Monitor Pari-Mutuel Wagering	\$ 316,808
Wagering & Compliance Inspection	\$ 132,822
Central Administration	\$ 573,575
Information Resources	\$ 171,196
Other Support Services	\$ 18,873

Expended Operational Budget



■ Regulate Racetrack Owners	■ Supervise Racing
□ Monitor Licensee Activities	□ Inspect & Provide Emergency Care
■ Administer Drug Test	■ Occupational Licensing Program
□ Texas On-Line Program	■ Monitor Pari-Mutuel Wagering
■ Wagering & Compliance Inspection	■ Central Administration
□ Information Resources	■ Other Support Services

Expended Appropriations



Expended Appropriations

Operational Budget	\$ 3,078,961
ATB Budget	\$ 3,857,889

Texas Racing Commission

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FYE 08/31/2006
Cumulative Operating Budget Status
by LBB Expenditure Object/Codes

Strategy	Description	FY 2006 Annual Budget	FY 2006 Expended Thru 5/31/2006	FY 2006 Unexpended Bal 5/31/2006	With 75% of Year Lapsed % of Budget Expended
A.1.1.	<u>Regulate Racetrack Owners</u>				
	1001 Salaries and Wages	179,348	132,049	47,299	73.63%
	1002 Other Personnel Cost	3,180	2,240	940	70.44%
	2001 Prof Fees and Services	2,000	2,381	(381)	119.04%
	2003 Consumables	250	32	218	12.80%
	2004 Utilities	-	-	-	
	2005 Travel	4,950	1,520	3,430	30.72%
27.91%	2006 Rent Building	-	-	-	
\$ 5,683	2007 Rent Machine	-	-	-	
\$ 157,718	2009 Other Operating Cost	17,691	16,650	1,041	94.12%
\$ 44,018	CB Computer Equipment	-	-	-	
\$ 207,419	Total Strategy A.1.1.	207,419	154,873	52,546	74.67%
A.2.1.	<u>Texas Bred Incentive</u>				
	ATB Money Expended	5,418,494	3,857,889	1,560,605	71.20%
\$ 5,418,494	Total Strategy A.2.1.	5,418,494	3,857,889	1,560,605	71.20%
A.3.1.	<u>Supervise Racing and Licensees</u>				
	1001 Salaries and Wages	696,466	507,574	188,892	72.88%
	1002 Other Personnel Cost	18,040	17,915	125	99.31%
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	250	-	250	0.00%
	2004 Utilities	500	-	500	0.00%
	2005 Travel	42,089	26,721	15,368	63.49%
-0.75%	2006 Rent Building	-	-	-	
\$ 25,471	2007 Rent Machine	-	-	-	
\$ 780,378	2009 Other Operating Cost	10,383	3,583	6,800	34.51%
\$ (5,871)	CB Computer Equipment	32,250	29,439	2,811	91.28%
\$ 799,978	Total Strategy A.3.1.	799,978	585,233	214,745	73.16%
A.3.2.	<u>Monitor Occupational Licensee Act.</u>				
	1001 Salaries and Wages	384,604	268,403	116,200	69.79%
	1002 Other Personnel Cost	13,820	13,757	63	99.55%
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	250	-	250	0.00%
	2004 Utilities	500	-	500	0.00%
	2005 Travel	22,961	14,393	8,568	62.69%
-0.15%	2006 Rent Building	-	-	-	
\$ 14,399	2007 Rent Machine	-	-	-	
\$ 411,845	2009 Other Operating Cost	3,500	2,315	1,185	66.15%
\$ (609)	CB Computer Equipment	-	-	-	
\$ 425,635	Total Strategy A.3.2.	425,635	298,869	126,765	70.22%
A.4.1.	<u>Inspect and Provide Emerg. Care</u>				
	1001 Salaries and Wages	422,530	245,935	176,595	58.21%
	1002 Other Personnel Cost	7,940	2,704	5,236	34.05%
	2001 Prof Fees and Services	20,000	13,181	6,819	65.90%
	2003 Consumables	350	-	350	0.00%
	2004 Utilities	-	-	-	
	2005 Travel	16,898	9,572	7,326	56.64%
-0.70%	2006 Rent Building	-	-	-	
\$ 13,866	2007 Rent Machine	-	-	-	
\$ 462,355	2009 Other Operating Cost	5,250	5,236	14	99.74%
\$ (3,253)	CB Computer Equipment	-	-	-	
\$ 472,968	Total Strategy A.4.1.	472,968	276,628	196,340	58.49%

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FYE 08/31/2006
Cumulative Operating Budget Status
by LBB Expenditure Object/Codes

Strategy	Description	FY 2006 Annual Budget	FY 2006 Expended Thru 5/31/2006	FY 2006 Unexpended Bal 5/31/2006	With 75% of Year Lapsed % of Budget Expended
A.4.2.	<u>Administer Drug Testing</u>				
	1001 Salaries and Wages	276,045	184,593	91,452	66.87%
	1002 Other Personnel Cost	9,060	4,040	5,020	44.59%
	2001 Prof Fees and Services	8,000	-	8,000	0.00%
	2003 Consumables	200	-	200	0.00%
	2004 Utilities	-	-	-	
	2005 Travel	17,102	10,685	6,417	62.48%
3.66%	2006 Rent Building	-	-	-	
\$ 9,895	2007 Rent Machine	-	-	-	
\$ 293,465	2009 Other Operating Cost	3,700	3,693	7	99.81%
\$ 10,747	CB Computer Equipment	-	-	-	
\$ 314,107	Total Strategy A.4.2.	314,107	203,010	111,097	64.63%
B.1.1.	<u>Occupational Licensing</u>				
	1001 Salaries and Wages	411,438	272,706	138,732	66.28%
	1002 Other Personnel Cost	18,280	15,787	2,493	86.36%
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	12,500	570	11,930	4.56%
	2004 Utilities	250	-	250	0.00%
	2005 Travel	25,750	10,733	15,017	41.68%
1.99%	2006 Rent Building	-	-	-	
\$ 16,111	2007 Rent Machine	11,000	7,439	3,561	67.63%
\$ 477,734	2009 Other Operating Cost	24,137	23,109	1,028	95.74%
\$ 9,510	CB Computer Equipment	-	-	-	
\$ 503,355	Total Strategy B.1.1.	503,355	330,344	173,011	65.63%
B.1.2.	<u>Texas OnLine</u>				
	1001 Salaries and Wages	-	-	-	
	1002 Other Personnel Cost	-	-	-	
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	-	-	-	
	2004 Utilities	-	-	-	
	2005 Travel	-	-	-	
	2006 Rent Building	-	-	-	
	2007 Rent Machine	-	-	-	
\$ 23,250	2009 Other Operating Cost	23,250	16,730	6,520	71.96%
\$ -	CB Computer Equipment	-	-	-	
\$ 23,250	Total Strategy B.1.2.	23,250	16,730	6,520	71.96%
C.1.1.	<u>Monitor Wagering and Audit</u>				
	1001 Salaries and Wages	425,653	291,325	134,328	68.44%
	1002 Other Personnel Cost	11,140	6,680	4,460	59.96%
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	250	-	250	0.00%
	2004 Utilities	200	-	200	0.00%
	2005 Travel	17,500	11,570	5,930	66.11%
-0.47%	2006 Rent Building	-	-	-	
\$ 15,122	2007 Rent Machine	-	-	-	
\$ 464,031	2009 Other Operating Cost	22,250	7,233	15,017	32.51%
\$ (2,160)	CB Computer Equipment	-	-	-	
\$ 476,993	Total Strategy C.1.1.	476,993	316,808	160,185	66.42%
C.1.2.	<u>Wagering & Compliance Inspections</u>				
	1001 Salaries and Wages	184,885	117,488	67,397	63.55%
	1002 Other Personnel Cost	7,140	6,140	1,000	85.99%
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	250	-	250	0.00%
	2004 Utilities	100	-	100	0.00%
	2005 Travel	15,750	6,564	9,186	41.67%
-2.64%	2006 Rent Building	-	-	-	
\$ 4,795	2007 Rent Machine	-	-	-	
\$ 211,710	2009 Other Operating Cost	2,800	2,631	169	93.95%
\$ (5,580)	CB Computer Equipment	-	-	-	
\$ 210,925	Total Strategy C.1.2.	210,925	132,822	78,103	62.97%

Texas Racing Commission

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FYE 08/31/2006
Cumulative Operating Budget Status
by LBB Expenditure Object/Codes

Strategy	Description	FY 2006 Annual Budget	FY 2006 Expended Thru 5/31/2006	FY 2006 Unexpended Bal 5/31/2006	With 75% of Year Lapsed % of Budget Expended
D.1.1.	<u>Central Administration</u>				
	1001 Salaries and Wages	372,479	273,231	99,248	73.35%
	1002 Other Personnel Cost	29,260	15,912	13,348	54.38%
	2001 Prof Fees and Services	22,500	21,212	1,288	94.27%
	2003 Consumables	13,500	13,467	33	99.75%
	2004 Utilities	25,000	14,526	10,474	58.10%
	2005 Travel	24,446	9,930	14,516	40.62%
-1.18%	2006 Rent Building	154,500	107,333	47,167	69.47%
\$ 10,989	2007 Rent Machine	2,750	1,313	1,437	47.75%
\$ 772,767	2009 Other Operating Cost	130,234	116,652	13,582	89.57%
\$ (9,087)	CB Computer Equipment	-	-	-	
\$ 774,669	Total Strategy D.1.1.	774,669	573,575	201,094	74.04%
D.2.1.	<u>Information Resources</u>				
	1001 Salaries and Wages	227,577	162,509	65,068	71.41%
	1002 Other Personnel Cost	7,660	3,928	3,732	51.28%
	2001 Prof Fees and Services	17,500	-	17,500	0.00%
	2003 Consumables	500	590	(90)	117.99%
	2004 Utilities	-	-	-	
	2005 Travel	2,800	1,219	1,581	43.54%
-12.46%	2006 Rent Building	3,000	2,700	300	90.00%
\$ 8,711	2007 Rent Machine	-	-	-	
\$ 302,791	2009 Other Operating Cost	14,750	250	14,500	1.69%
\$ (37,715)	CB Computer Equipment	-	-	-	
\$ 273,787	Total Strategy D.1.2.	273,787	171,196	102,591	62.53%
D.1.3.	<u>Other Support Services</u>				
	1001 Salaries and Wages	24,447	17,100	7,347	69.95%
	1002 Other Personnel Cost	-	-	-	
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	-	-	-	
	2004 Utilities	-	-	-	
	2005 Travel	-	-	-	
0.00%	2006 Rent Building	-	-	-	
\$ 1,200	2007 Rent Machine	-	-	-	
\$ 25,020	2009 Other Operating Cost	1,773	1,773	0	
\$ -	CB Computer Equipment	-	-	-	
\$ 26,220	Total Strategy D.1.3.	26,220	18,873	7,347	71.98%
\$ 126,242	Aproximated 4% appropriation rider				
\$ 4,383,063	Operating Budget regular appropriations	4,509,305	3,078,961	1,107,860	68.28%
\$ 5,418,494	Strategy A.2.1. TX Bred Incentive	5,418,494	3,857,889	1,560,605	71.20%
\$ 9,927,799	Total M.O.F.				
\$ 9,927,799	Total All Strategies	9,927,799	6,936,850	2,668,465	69.87%

Texas Racing Commission
Report on Racetrack Inspection Activities
June 26, 2006

Date of Inspection	Track	Type of Inspection	Number of Unsatisfactory Items	Track Remediation Complete	Inspection resolved
3/1/06	Corpus Christi	Racing-Judges	1	1 resolved 5/17/06	5/17/06
3/1/06	Corpus Christi	Veterinary	3	3 resolved 4/22/06	4/22/06
3/24/06	Valley	Executive	0		
4/5/06	Lone Star	Enforcement	1	1 resolved 4/19/06 1 resolved 5/12/06	5/12/06
4/5/06	Lone Star	Veterinary	7	7 resolved 4/15/06	4/15/06
4/7/06	Lone Star	Racing-Stewards	0		
4/12/06	Lone Star	Pari-mutuel & Audit	0		
4/21/06	Retama	Racing-Stewards	0		
4/25/06	Retama	Pari-mutuel & Audit	0		
4/25/06	Retama	Veterinary	0		
4/29/06	Retama	Enforcement	0		

TEXAS RACING COMMISSION

GREYHOUND RACE DATE 2007 WORKING GROUP MEETING REPORT MAY 26, 2006

WORKING GROUP PARTICIPANTS INCLUDED TWO MEMBERS OF THE COMMISSION, THE TEXAS GREYHOUND ASSOCIATION, AND THE GREYHOUND RACETRACK ASSOCIATIONS. COMMISSION STAFF ALSO PARTICIPATED.

CHARGES TO THE WORKING GROUP:

- A. Assess effectiveness of previous years' racing calendars
- B. Assess handle and purse statistics
- C. Assess racing and kenneling opportunities for participants
- D. Assess length of race meets and issue of overlap among tracks

Available Materials:

2001-2005 Review and Analysis of Greyhound Racing Performance Data, Discussion Questions and Issue Lists

To help facilitate discussion on industry issues and how these issues tie into the race date calendar process, these questions were posed to the three respective groups: Racetracks, Greyhound Breeders/Owners/Trainers, and Kennel Operators. Below are some of the comments from the discussions.

1. What is the health of your industry from your perspective?
 - Racetracks' profitability continues to be negatively influenced by declining attendance and handle as Texas residents choose to wager at casinos located in our neighboring states and at eight liner operations here in Texas. Thus, causing decreased purse levels and making it more difficult to attract kennels to their facilities. Quality Texas bred greyhounds are leaving the state to race at racetracks that offer larger purses.
 - Eight liner operations have opened in close proximity to the greyhound racetracks. This has negatively affected the attendance and handle as Texas residents choose to wager on these machines. The

spread of eight liner operations in Texas has become so prolific that the Racing Commission has recently received complaints from video poker operations in Louisiana that eight liner operations in east Texas have affected their business.

- Leakage of handle to illegal Internet account wagering companies and offshore companies – patrons are openly admitting to racetrack management that they are using these companies.
- Registration of Texas-Bred greyhounds continues to drop – small breeders are getting out of the business and larger operations are scaling back or sending their animals to run out-of-state. Thus, leaving fewer greyhounds to participate in races at the Texas racetracks.
- Breeders, Owners and Kennel Operators are leaving the business due to low returns on investment and inability to cover operational cost; the average cost to get a puppy to the racetrack is approximately \$3,000, and the average racing career of a greyhound is approximately 18 months. Break even point value was estimated to be \$50 per point. In 2005, Gulf Greyhound Park and Valley Race Park reported an average point value of \$59. While Corpus Christi Greyhound Race Track reported an average point value of \$27.

2. How have the Racing Commission's decisions on Race Dates and TGA Cross-Species Purse Allocations affected the health of your industry?

- The industry would like for the staff to have more flexibility to act on the adding or deleting of race days from the race calendar. Most addition or deletion of race dates is due to either supply of kennels issues or kennel cough shut downs.

3. What can be done to improve the health of your industry?

SHORT TERM

- Review the requirements of vaccinations on greyhounds
- Have Commission staff available at the racetracks in the morning to view works so that greyhounds can be removed from the vet list quicker
- Better communication between the racetrack operators
- Consideration of possible south Texas circuit between Corpus Christi Greyhound Race Track and Valley Race Park with the intention to get point value at both racetracks above \$50.

LONG TERM

- Increase purses to improve profitability of Breeders, Owners and Kennel Operators
- Increase availability of sport to more Texans
- Correct flaw in cross-species legislation

NEXT MEETING – None scheduled.

TEXAS RACING COMMISSION

HORSE RACE DATE 2007 WORKING GROUP MEETING REPORT MAY 17, 2006 & JUNE 15, 2006

WORKING GROUP PARTICIPANTS INCLUDED TWO MEMBERS OF THE COMMISSION, THE BREED REGISTRIES, THE TEXAS HORSEMENS' PARTNERSHIP, THE HORSE RACETRACK ASSOCIATIONS AND COMMISSION STAFF

CHARGES TO THE WORKING GROUP:

- A. Assess effectiveness of previous years' racing calendars
- B. Assess handle and purse statistics
- C. Assess racing and stabling opportunities for participants
- D. Assess length of race meets and issue of overlap among tracks

Available Materials:

April 5, 2006 - 2001-2005 Review and Analysis of Horse Racing Performance Data

June 15, 2006 – 2003-2005 Review and Analysis of Regional Horse Racing Performance Data

At the May 17th meeting, the group focused on gaining consensus of the most important factors to consider in setting the 2007 horse racing calendar. The result was the prioritization of the top ten issues:

1. Availability of horses
2. Purse levels
3. Consideration of out-of-state racing dates
4. Field sizes
5. Making the Texas export signals competitive
6. Racing opportunities
6. Breed splits of simulcast purse money
8. Acceptable length of time between meets
9. Optimum number of race dates per week
10. Consideration of mixed meet formats

Concentrating on the top five issues, the following questions were posed to the working group:

How do we get more horses available to run at our meets?

What should the purse levels be at each of the racetracks for the Mixed, QH, or TB meets?

Which out-of-state racetracks should be considered?

How do we make the field sizes larger?

How do we make the Texas horse signals more competitive?

Overall, the consistent responses to these questions were higher purses and being aware of neighboring states racing. (See pages 8-12 of the June 15, 2006, meeting packet for all of the responses to each of the posed questions.)

Staff, with assistance from the American Quarter Horse Association and the Jockey Club, gathered three years' regional purse and racing data and provided detailed analysis of these statistics. The analysis includes information by breed, including field size, number of races, types of meet, purse information by meet, by day and by race. Additionally, the regional racetracks were ranked by breed by average purse per race.

For optimal comparisons, purse information for the Quarter Horses was presented with and without stakes/added money.

This detailed analysis was the focal point of the June 15th meeting. Discussions centered on the following issues:

- Texas' position compared to the surrounding competitive states, in particular, Louisiana and Oklahoma
- Possible use of the mixed meet approach
- Alternative funding from the escrowed horse purse and cross species revenues to address quarter horse purse competitiveness.
- Fluctuating availability of horses depending on regional race track schedules
- Ways to optimize use of stabled horses
- Racetracks' challenges with respect to managing meets: personnel, facilities and supply of horses

Discussion also covered the risk of going forward with the status quo approach versus the need to consider more significant changes. To that end, staff asked if extending the race date request deadline would be beneficial in assessing all options.

Racetrack management and other participants agreed, noting that data from the current and upcoming meets, both in- and out-of-state, will help to evaluate all of their options.

Racetracks will submit preliminary race date requests, along with proposed 2007 calendars from all working group participants, by Friday, June 23. In order to support the group's recent progress, participants now ask that the Commission agree to defer the due date for formal race date requests until August 1. This will allow the group to continue discussions throughout July, and allow the racetracks' requests to reflect those discussions. The 2007 race date allocations will then be scheduled for Commission action in mid-September.

TEXAS RACING COMMISSION
MEDICATION AND DRUG TESTING
WORKING GROUP

MEETING REPORT
MAY 16, 2006

**OVERVIEW OF RCI MODEL RULES
REGARDING EQUINE VETERINARY
PRACTICES, HEALTH AND MEDICATION**

WORKING GROUP PARTICIPANTS INCLUDED TWO MEMBERS OF THE COMMISSION, THE BREED REGISTRIES, THE TEXAS HORSEMENS' PARTNERSHIP, THE HORSE RACETRACK ASSOCIATIONS, BACKSIDE VETERINARIANS, TVMDL STAFF, AND COMMISSION STAFF.

The goal of the Association of Racing Commissioners International (RCI) is for all racing jurisdictions to operate under common rules. Establishing common rules for all participants enhances not only the enforcement of rules, but also gives racing participants a standard bar to operate within. Considering all racing jurisdictions operate under different statutes, this is a long-term, evolving project, that has resulted in the development of 'model rules' that each jurisdiction is encouraged to adopt.

As Texas' Rules of Racing, Chapter 319, Veterinary Practices and Drug Testing, is currently subject to a statutorily required review, staff determined that a comparison with the RCI model rules would be an excellent starting point in the pursuit of uniformity.

The focus of comparison was further narrowed to a discussion of the new penalty schedules as recommended by the Racing Medication Testing Consortium (RMTC) and adopted by RCI, side-by-side penalty comparison on NonSteroidal Anti-Inflammatory Drugs and Furosemide and comparisons of selected drugs and medications

OVERVIEW OF DISCUSSIONS:

- *Revised Penalty Guidelines*
Dr. Scott Waterman, Executive Director of the RMTC, gave a brief overview of the 5-year research process that resulted in

the totally revised penalty schedules. Studying all rulings given by all jurisdictions, they found that most jurisdictions were not penalizing according to the guidelines. Currently, there are five drug classifications, each having its own penalty guidelines. Following this study, they modified the penalty schedules to put practice into rule form.

The revised model rules regarding medication violation penalties establish one of three penalty guidelines: major, moderate, and minor, for each of the drugs, regardless of category. Additionally, the penalties are progressive and apply across jurisdictions, and for the first time apply additional new penalties to an owner over and above the loss of purse.

With these substantial changes, migration to this revised penalty schedule may be slow. To date, Dr. Waterman reported 2 jurisdictions have adopted them.

- *Side-by-Side Comparison of NonSteroidal Anti-Inflammatory Drugs (NSAID) and Furosemide*

Adopting RCI's model rules with regard to NSAIDs would be a significant change in Texas medication policy. Currently, Texas allows only one NSAID in post race test, phenylbutazone, "Bute," at a permissible level of 5 mcg/ml.

RCI model rules allow certain levels of one of three NSAIDs: Phenylbutazone, Flunixin, and/or Ketoprofen, in post race tests. Model rule penalties for overages are different for different levels. Currently, Texas' penalty for Bute remains the same regardless of the level. Commission staff recommends modifying our current policy on Bute to give stiffer penalties for higher levels. Model rules also provide for a harsher penalty if more than one NSAID is found.

There would be additional testing costs if the model rules were adopted for Ketoprofen as TVMDL does not have the instrumentation needed to quantify at the permissible level. Ken Peck of TVMDL estimated an additional cost of \$10-\$15 per sample.

With regard to Furosemide, Texas and model rules permissible level is determined the same way: specific gravity of urine above 1.010 and serum quantitation of 100ng/ml. A lengthy technical discussion centered on whether specific gravity should be considered as some samples have show extremely high serum quantitation with normal specific gravity. High serum quantitation with normal specific gravity may indicate the intramuscular administration of the drug, which is not the approved administration method.

There was some discussion regarding whether further research is need to be done in regard to Furosemide testing. Some trainers offered their stables of horses to assist with the research.

WRAP-UP

In response to the question of how Texas' rules compare to the entire model chapter on Veterinary Practices, Dr. Waterman expressed that it is not easy to quantify but to keep in mind the goal is for participants who cross state lines to face the same rules. Dr. Waterman indicated Texas' rules compare quite favorably to the model rules.

Texas' primary differences with the medication guidelines are with the NASADs and Furosemide. Further discussions will focus on what changes, if any, should be proposed to Texas' policies in these two specific areas. Additionally, with the Chapter 319 review now in process, further comparison to the model rules will occur.

Dr. Waterman reminded the group that the penalty guidelines are new to all jurisdictions and a lot of organizational work must be done before they can be implemented.

CHAPTER 321 PARI-MUTUEL WAGERING

ADOPTED RULES WITH PREAMBLE TO BE SUBMITTED TO THE TEXAS REGISTER. THIS DOCUMENT WILL HAVE NO SUBSTANTIVE CHANGES, BUT WILL BE SUBJECT TO FORMATTING CHANGES AS REQUIRED BY THE *TEXAS REGISTER*

The Texas Racing Commission (Commission) adopts the proposed amendments to §321.310 and §321.314, relating to the minimum number of different wagering interests that must be present in a race before an association may offer Trifecta and Superfecta wagers on that race. The amendments are adopted without changes to the proposed text as published in the May 19, 2006, issue of the Texas Register (31 TexReg 4137) and will not be republished.

PURPOSE, BACKGROUND AND AUTHORITY

The purpose of the amendments is to increase the number of wagering opportunities for the public, increase the size of the mutuel handle, and increase the size of the purse.

The current rules establish the minimum number of different wagering interests that must leave the paddock in a race for which the association is offering Trifecta and Superfecta wagering. In order for an association to offer Trifecta wagering, a minimum of six different wagering interests must leave the paddock. In order for an association to offer Superfecta wagering, a minimum of seven different wagering interests must leave the paddock. If an association offers Trifecta and/or Superfecta wagering, and fewer than the minimum number of different wagering interests required for the wager leave the paddock, the association must cancel the Trifecta and/or Superfecta wagers for that race and refund the entire amount in the pool.

The adopted amendments will permit the board of stewards or judges (the "board") to approve Trifecta and Superfecta wagering on races with fewer than the current minimum number of different wagering interests.

The adopted amendments will not require any changes for those races in which the number of different betting interests leaving the paddock meets the current standards. However, the amendments would allow an association to offer Trifecta or Superfecta wagering on a race for which there are fewer different wagering interests than meets the current standard, but only if approved by the board. In addition, if scratches cause the number of different wagering interests to drop below the minimum number required by rule, or further below the number already approved for that race by the board, the board would retain the authority to order the association to cancel the wager and refund the entire pool. In determining whether to cancel the wager and refund the pool, the board will consider the affect the decrease in the number of interests has on the integrity of the wager.

The amendments are adopted under the Texas Civil Statutes, Article 179e, §3.02 and §3.021, which authorizes the Commission to make rules relating to all aspects of greyhound and horse racing, and §11.01, which requires the Commission to adopt rules regulating pari-mutuel wagering on greyhound and horse racing.

The rule amendments affect Article 11 of Texas Civil Statutes, Article 179e.

COMMENTS

The Commission received no comments on this rule amendment.

CHAPTER 321 PARI-MUTUEL WAGERING

Sec. 321.310. TRIFECTA.

(a)-(b) (No change).

~~[(e) A coupled entry or mutuel field may not start in a horse race with trifecta wagering unless there are six or more betting interests.]~~

(c) ~~[(d)]~~ If after wagering has begun an animal entered in a trifecta race is scratched or otherwise prevented from racing, all money wagered on the affected animal shall be deducted from the trifecta pool and refunded to the holders of tickets on the affected animal.

(d) ~~[(e)]~~ If no ticket is sold on the winning combination, the net pool shall be distributed equally among the holders of tickets selecting the animals finishing first and second.

(e) ~~[(f)]~~ If no ticket is sold that requires distribution under subsection (d) ~~[(e)]~~ of this section, the net pool shall be distributed equally among the holders of tickets selecting the animals finishing first and third .

(f) ~~[(g)]~~ If no ticket is sold that requires distribution under subsections (d) ~~[(e)]~~ or (e) ~~[(f)]~~ of this section, the net pool shall be distributed equally among the holders of tickets selecting the animal finishing first.

(g) ~~[(h)]~~ If no ticket is sold requiring distribution under subsections (d) ~~[(f)]~~ (e) ~~[(g)]~~ of this section, the net pool shall be distributed equally among the holders of tickets selecting the animals finishing second and third.

(h) ~~[(i)]~~ If no ticket is sold requiring distribution under subsections (d) ~~[(g)]~~ (e) ~~[(h)]~~ of this section, the net pool shall be distributed equally among the holders of tickets selecting the animal finishing second.

(i) ~~[(j)]~~ If no ticket is sold requiring distribution under subsections (d) ~~[(h)]~~ (e) ~~[(i)]~~ of this section, the net pool shall be distributed equally among the holders of tickets selecting the animal finishing third.

(j) ~~[(k)]~~ If a trifecta race ends in a dead heat for first place, the winning combination shall include the first two animals as finishing in either first or second and the animal finishing third. If a trifecta race ends in a dead heat for second place, the winning combinations shall include the animal finishing first and the two animals finishing in a dead heat as finishing either second or third. If a trifecta race ends in a dead heat for third place, the winning combinations include the animals finishing first and second and any of the animals finishing in the dead heat as finishing third. In all combinations paid under this subsection, the net pool shall be divided into separate pools, calculated as a place pool, and paid out accordingly.

(k) [(4)] If a trifecta race ends in a triple dead heat or double dead heats, the net pool shall be divided by the number of all win, place, and show combinations formed, calculated as separate pools, and paid out accordingly.

(l) [(m)] If no ticket is sold that would require distribution under this section, the trifecta is considered "no contest" and the association shall carry forward all money wagered in the trifecta pool to the next consecutive trifecta pool.

(m) An association shall not offer trifecta wagering on any race placed on the official program that does not have six or more different wagering interests unless approved by the board of stewards or judges. ~~[(n) If fewer than six horses of different betting interests leave the paddock for a race on which there is trifecta wagering, the association shall cancel the trifecta wager for that race and refund the entire amount in the pool.]~~

(n) In the event scratches cause the number of different wagering interests to fall below six, or below an amount previously approved by the board of stewards or judges, the board of stewards or judges may order the wager to be canceled and the pool to be refunded if deemed in the interest of wagering integrity.

Sec. 321.314. SUPERFECTA.

(a)-(f) (No change).

(g) An association shall not offer superfecta wagering on any race placed on the official program that does not have seven or more different wagering interests unless approved by the board of stewards or judges. ~~[A coupled entry or mutuel field may not start in a horse race with superfecta wagering unless there are seven or more betting interests.]~~

(h) In the event scratches cause the number of different wagering interests to fall below seven, or below an amount previously approved by the board of stewards or judges as outlined in subsection (g) above, the board of stewards or judges may order the wager to be canceled and the pool to be refunded if deemed in the interest of wagering integrity. ~~[If fewer than seven horses of different betting interests leave the paddock for a race in which there is superfecta wagering, the association shall cancel the superfecta wager for that race and refund the entire amount in the pool.]~~

Trifecta - Superfecta Proposal

MIKE G. RUTHERFORD

5 EAST GREENWAY PLAZA, SUITE 220

HOUSTON, TEXAS 77046

To Club Ann King,

Following are some examples of the dangers created by decreasing the number of starters to 5 in trifecta races or to 6 in superfecta races.

(As almost all racetrackers know, most "fixed" races are planned and executed by jockeys or by jockeys working with gamblers - not by trainers. So, stewards scrutinizing entries for common interests of owners and/or trainers will not be a factor in most instances. The stewards might suspect an irregularity based upon something they see a jockey doing during the running of the race, but at that point, it's too late. The public is already cheated and a race fixing scandal is eminent.

As purses get cheaper in this, or any other state, the opportunity to cash a gamble at a long price can be much more lucrative than a winning jock mount at some tracks. It only costs \$24 (\$1 wager) to box 4 horses in the trifecta. If the race goes with only 5 starters and the rider of the favorite takes his horse out and doesn't run 3rd or better, he can box the other 4 horses in the trifecta and be reasonably assured of a long price at the window. He can have a buddy, wife or whatever make the bet - at another track, in or out of the state, with hardly any risk of being detected.

Superfecta races usually have much more lucrative pay - offs than trifectas. If a superfecta race goes with only 6 starters - and the riders of the 2 favored horses take themselves out, they only have to box 4 horses to guarantee a winning ticket, which can also be done for only \$24 (\$1 wager). Or, one rider could do it alone and box 5 horses for \$120 (\$1 wager). A superfecta pay - off, where one or two favorites don't hit the board, can pay several hundred dollars on a winning ticket, or several thousand dollars on multiple winning tickets.

As the number of starters in races with multiple wagering decreases, the opportunity for illegal influence of the outcome of those races increases. It's just that simple. Texas can't afford to take the chance.

Texas tracks are struggling, but other ways to help them should be explored. This proposal affects the integrity of the game.

MBR
I would like a separate vote on this proposal!

CHAPTER 303 GENERAL PROVISIONS

ADOPTED RULES WITH PREAMBLE TO BE SUBMITTED TO THE TEXAS REGISTER. THIS DOCUMENT WILL HAVE NO SUBSTANTIVE CHANGES, BUT WILL BE SUBJECT TO FORMATTING CHANGES AS REQUIRED BY THE TEXAS REGISTER

The Texas Racing Commission (Commission) adopts the proposed amendment to §303.93, relating to the Texas Bred Incentive Programs. The amendment is adopted without changes to the proposed text as published in the May 19, 2006, issue of the Texas Register (31 TexReg 4137) and will not be republished.

PURPOSE, BACKGROUND AND AUTHORITY

The purpose of the amendment is to encourage participation in the Texas Bred Incentive program for quarter horses, and to bring the rule into conformity with current practice at the Texas Quarter Horse Association.

The current rule establishes an application deadline for accreditation of an Accredited Texas Bred (ATB) stallion of January 31 of the year in which an ATB eligible foal is conceived. The Texas Quarter Horse Association (TQHA) may still accredit an ATB stallion after January 31, but no later than December 31, of the year in which an ATB eligible foal is conceived, provided that the application includes payment of a late fee.

The amendment changes the due date for timely applications for ATB quarter horse stallions to April 15 of the year in which an ATB eligible foal is conceived. This change will encourage participation in the Texas Bred Incentive Program for quarter horses by allowing owners a longer period of time to register their stallions without payment of a late fee. It will also bring the rule into conformity with current practice at TQHA, which already waives its right to a late fee for stallion applications filed between January 31 and April 15.

The amendment is adopted under Texas Civil Statutes, Article 179e, §3.02 and §3.021, which authorizes the Commission to make rules relating to all aspects of greyhound and horse racing, and §9.01, which establishes that the rules of horse breed registries establishing the qualifications of Texas-bred horses are subject to rules adopted by the Commission.

The rule amendment affects Article 9 of Texas Civil Statutes, Article 179e.

COMMENTS

The Commission received no comments on this rule amendment.

CHAPTER 303 GENERAL PROVISIONS

Sec. 303.93. QUARTER HORSE RULES.

(a) (No change.)

(b) Eligibility for Accreditation.

(1) – (2) (No change.)

(3) ATB Stallions

(A) (No change.)

(B) An application for accreditation must be on a form prescribed by TQHA and include the applicable payment as prescribed by TQHA. The deadline for filing an application for accreditation is April 15 [~~January 31~~] of the year in which an ATB eligible foal is conceived. TQHA may accredit a stallion for which the application for accreditation is filed after April 15 [~~January 31~~] but no later than December 31 of the year in which an ATB eligible foal is conceived, provided the application includes payment of a late fee as established by TQHA. An application for accreditation is considered timely filed if it is placed in U.S. mail and is postmarked on or before the applicable deadline.

(C) (No change.)

(c) – (f) (No change.)



Received TxRC

DEC 20 2005

Magna Entertainment Corp.

Sender's Direct Dial: (804) 752-2014
Sender's Address: 11388 Farrington Farm Lane
Ashland, Virginia 23005

337 Magna Drive
Aurora, Ontario,
Canada L4G 7K1
Tel (905) 726-2462
Fax (905) 726-7448

December 13 2005

Sent via Facsimile ((512) 833-6907) and First-Class Mail

Ms. Charla Ann King
Executive Secretary
Texas Racing Commission
8505 Cross Park Drive
Suite 110
Austin, Texas 78754

Dear Ms. King:

This letter is to advise you and the Texas Racing Commission (the "Commission") of recent changes that have occurred with respect to the officers and directors of Magna Entertainment Corp. ("MEC") and proposed changes that are being requested in respect of MEC's wholly-owned subsidiary, MEC Texas Racing, Inc. ("MEC Texas Racing"), which is the general partner of MEC Lone Star, L.P., the racing license holder in respect of Lone Star Park at Grand Prairie.

First, Jim McAlpine has retired from his position as Director and Vice-Chairman, Corporate Development, of MEC, and Lee Jackson has resigned his position as MEC's Corporate Secretary to pursue a new career opportunity with another company. The changes in the status of Messrs. McAlpine and Jackson have been reflected in MEC Texas Racing's list of officers and directors. It is anticipated that Don Amos will replace Mr. McAlpine as Chief Executive Officer of MEC Texas Racing, subject, of course, to Commission approval. Regarding Mr. Jackson, I will advise you once a replacement for him as Corporate Secretary has been made.

In addition, Mr. Frank Stronach has resigned as a Director and the Chairman of MEC Texas Racing. It is anticipated that, pending Commission approval, Mr. Amos will serve as the Chairman of MEC Texas Racing. This step is being made in recognition of Mr. Stronach's busy schedule and in order to improve the efficiency of future board actions of MEC Texas Racing that may be required. Mr. Stronach still remains a Director and the Chairman of MEC.

In light of the foregoing, please consider this letter as a formal request that the Commission approve the appointment of Mr. Amos as Chairman and Chief Executive Officer of MEC Texas Racing. Consistent with previous submissions of this type, please find attached, at

December 13 2005

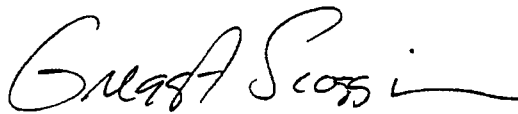
Page 2

Schedule 1, the information required of Mr. Amos by Section 309.151(c) of the Texas Racing Commission rules. Because Mr. Amos already is an approved officer of MEC Texas Racing, I assume that his fingerprints and DPS Personal History Form already are on file with the appropriate authorities. Accordingly, I have advised Mr. Amos that it is not necessary to submit those documents again. If it is necessary for him to submit these materials, please let me know.

In addition to enclosing Schedule 1, I also have enclosed for your files an exhibit that shows the list of officers and directors of MEC Texas Racing, as proposed by this letter. If you have any questions or requests in connection with the foregoing, please do not hesitate to contact me.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregg A. Scoggins", with a long horizontal flourish extending to the right.

Gregg A. Scoggins
National Director of Regulatory Affairs

Enclosures

cc: Jeff Greco
Lorie Tutt

TEXAS RACING COMMISSION
INTER-OFFICE MEMORANDUM

June 16, 2006

TO: Charla Ann King
Executive Secretary



FROM: Thomas Neely
Enforcement Director

RE: MEC Texas Racing Inc. – Chairman/CEO

Pursuant to a request from MEC Texas Racing Inc. that Mr. Don Amos be approved as Chairman and Chief Executive Officer, a background investigation has been conducted by the Texas Department of Public Safety Criminal Intelligence Service. I have been advised that the investigation did not reveal anything which might be detrimental to the public interest or the racing industry.

I submit the MEC Texas Racing Inc. item for the June 26, 2006 commission meeting agenda with a recommendation that the request be approved.



11505 Susquehanna Trail
Glen Rock, PA 17327 USA
Patricia A. Howard
Paralegal
Phone: (717) 235-9291
Fax: (717) 227-4370

CONFIDENTIAL

Received TxRC

MAR 31 2006

March 30, 2006

VIA FEDERAL EXPRESS

Charla Ann King
Texas Racing Commission
8505 Cross Park Drive, #110
Austin, Texas 78754-4594

RE: Service Contract between United Tote Company and Manor Downs, Inc.

Dear Ms. King:

Enclosed please find a fully-executed copy of the Service Contract for Enterprise Wagering Solution for a New Totalizator System dated December 1, 2005 between United Tote Company and Manor Downs, Inc. as revised per your letter dated March 16, 2006 to Manor Downs.

Please call me if you have any questions.

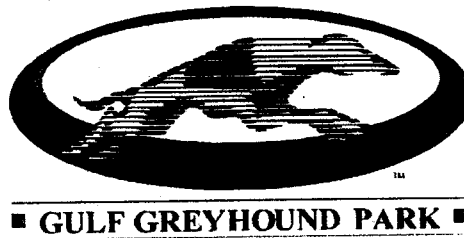
Sincerely,

A handwritten signature in black ink, appearing to read "Patricia A. Howard", written over a horizontal line.

Patricia A. Howard
Paralegal

cc: Edi Johnson (w/enclosure)

Enclosure



CONFIDENTIAL

Received TxRC

APR 04 2006

Sally B. Briggs
General Manager

March 30, 2006

Ms. Charla Ann King
Executive Secretary
Texas Racing Commission
P. O. Box 12080
Austin, TX 78711-2080

Re: United Tote Contract

Dear Ms. King:

Enclosed please find the revised contract between Gulf Greyhound Park and United Tote Company. Please place this contract on the agenda for approval at the next Texas Racing Commission meeting.

If you have questions or need additional information, please let me know. Thank you.

Sincerely,


Sally B. Briggs
General Manager